Scam in exports and imports in I.T.

2279. SHRI NANDI YELLAIAH: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether there is over-invoicing and under-invoicing scam with regard to exports and imports in Information Technology Companies with regard to our trade U.S.A;

(b) whether it is a fact that U.S.A. stated that it imported software worth 1.6 billion dollars from India for 2002-03, while India stated that it exported software worth 6.3 billion dollars to U.S.A. during 2002-03;

(c) if so, details of measures taken by Government to recover this huge loss of nearly Rs. 22,000/- crores of foreign exchange to our nation, due to this scam, through Havala operators; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN) : (a) to (d) The value of Indian exports to USA in Information Technology (IT) Software and Services during the year 2002-03 was US$ 6.46 billion according to data collected by the National Association of Software and Service Companies (NASSCOM), India. US data in respect of the services sector covers only "cross border trade" and "sales through majority owned affiliates" As per the data released by the US Bureau of Economic Analysis (BEA), India's services exports to the US for the calendar years 2002 and 2003 were 275 million & US $ 892 million (through majority owned Indian companies located in the US) respectively.

One case has been detected involving under-invoicing of imports effected on free of charge basis from the parent company situated in the US. The company has so far paid Rs. 23 lakh towards Customs duty liability and further investigation in this case is being carried out.

Reduction of customs duty on various items

2280. SHRI V. NARAYANASAMY: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that Government is planning to reduce customs

duty on various items of goods in view of the rich nations move for abolishing farm subsides; and

(b) whether Government considered that reduction in custom duty may lead to showdown of production in the Indian Industry due to unfair competitions?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN) : (a) No, Sir.

(b) Government Normally reduce custom duty taking into account the State of the economy and the impact that such reduction would have on economic growth and enhanced economic production in the country.

Change in tariff classification

2281. SHRI PYARELAL KHANDELWAL: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact ASEAN is insisting on not having "Substantial Transformation Clause" which stipulates a four digit change in tariff classification;

(b) whether it is also a fact that a lot of trade in Asia suffers from under-invoiced imports;

(c) if so, how would mere value Addition or Local Content Rule to confer origin be considered adequate; and

(d) will Government place a White Paper on the floor of the House on these sensitive issues?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN) : (a) ASEAN had earlier proposed only a percentage of domestic value additon as the criteria for Rules of Origin, however, they have now agreed on simultaneous application of domestic value addition and change in traff classification.

(b) Some cases of under-invoicing of imports from ASEAN countries have been detected in the past.

(c) Simultaneous application of domestic value addition and change in tariff classification has been agreed by ASEAN as the criterion for conferring of origin.